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SUBJECT: RUMORS OF CORRUPTION, AND ITS COSTS: AN ANALYSIS

Ref: A) Khartoum 763, B) Khartoum 490, C) Khartoum 666

11. (SBU) Summary: Corruption remains an elusive subject in Southern Sudan, as it is easy to deny and difficult to prove. A weak media, the secretive instincts of the SPLM/A honed by two decades of war, and a flourishing rumor mill also make it difficult to winnow speculation from fact. Nonetheless, there is ample anecdotal evidence of increasing corruption in the South. The following examples, large and small, illustrate the problem. Some SPLM officials acquainted with the devastating cost of corruption to surrounding countries have vowed to turn back the rising tide, understanding that a failure to do would undermine donor confidence, drive off legitimate investors, and ultimately alienate the population of the South from the SPLM/GoSS. End summary.

Manifestations

12. (SBU) The following, by no means exhaustive, list of alleged incidents of corruption highlights problems with GoSS transparency in various domains.

-- Petroleum Revenues: SPLM backbenchers in the Southern Sudan Legislative Assembly (SSLA) are clamoring for full public accounting of all petroleum revenue transfers to the GoSS from the Government of National Unity (GNU) (ref A). Minister of Finance and Economic Development Arthur Akuein Chol is the primary target of their wrath for underreporting petroleum revenues during the preparation of last year's budget and providing inaccurate figures to Vice President Kiir and Rebecca Garang before they made public statements on the issue. Chol's misleading remarks about empty coffers boomeranged when he suddenly reversed course and stated that funds had in fact been transferred, but did not explain why the SPLA and civil servants had gone unpaid. Accurate or not, rumor now has it that public funds are missing. Chol and SSLA Speaker Wani Igga successfully reversed acting GoSS President Machar's decision to convene the SSLA last week, reinforcing the impression that the duo has something to hide.

-- White Nile Ltd (WNL): The struggle between WNL and Total over the potential petroleum reserves in Super Block B (ref B) continues. Some SPLM insiders believe that WNL, which has dubious business connections abroad, has granted commission or stock equity to various GoSS officials. There has been no final resolution of this controversy, but on March 30 a WNL official told CG that he was off to Bor by April 1 with a Zimbabwean mine removal team and Canadian seismological technicians to begin work.

-- Juba Hotel and Port: A Southern Sudanese resident of the U.S. told CG in January that he represented a group that had

"bought" the Juba Hotel and signed a contract to build and run a new port in Juba for thirty years, before returning the facility to government management. A group of Kuwaitis recently visited Juba (ref C) to inaugurate the USD 80 million projects, presumably the same group. We have since learned from GoSS ministers that this project was brokered directly by Bahr el Jebel Governor Clement Wani Konga without the concurrence of the GoSS. The GoSS is considering cancellation of the deal.

-- Cellular Telephone: The Mobitel cellular phone system works well in the North, but in the South is dysfunctional, and the GNU has refused to issue licenses to a new operator to work in the South. The buzz on the street has it that a very senior official in the GoSS Ministry of Telecommunications have taken no action to resolve this
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been constructed.

-- Brewery: A foreign investor proposed construction of a small brewery in Juba. After initial agreement on all sides, the investor pulled out when he came under pressure to give hefty equity partnership to a well-connected Southern official.

-- Customs Duties: The road between the Ugandan border and Juba has become a tax gauntlet for importers. Fees are paid at the border, upon arrival, and often at intermediate checkpoints along the way. Conversely, there is a steady flow of new and used automobiles bound for the influential of Juba, and often chauffeured by their personal drivers,

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that enter Sudan free of charge and end up in Juba, where license plates are issued.

-- SPLA Appropriation: SPLA soldiers continue the wartime practice of taking from civilians what they need or want. Armed soldiers take food, drink, or merchandise from bars and market stalls, and especially from stores owned by northerners, and then refuse to pay. This has led to confrontation and, in some instances, violence and at least one death.

-- Cars and Renovations for the SSLA: Line item procurements funded by the GoSS have reportedly gone astray. MPs in the SSLA have accused the Speaker and his deputy of misappropriating funds dedicated to the purchase of vehicles and the renovation of the Assembly building. They are threatening to take this issue to the floor when the next session begins.

-- Sole Source Contract for the Presidency: A whispering campaign began when a senior official at the Presidency granted a lucrative sole source contract for renovation and maintenance of the presidential office complex to an individual from Aweil who had been charged with fraud and other illegal activities in the past. The facility has been plagued by slow and shoddy work, including a long delay in installation of a donated generator.

-- Praedial Larceny: An official of the Norwegian Refugee Council (NRC) described events in the Nuba Mountains that encapsulate the problem of low-level abuse. Two former SPLA soldiers requested the NRC to provide a well to support a communal garden producing fruits and vegetables. The project flourished, largely thanks to a trained Sudanese agronomist working with the group, until SPLA troops began seizing produce without payment. A senior SPLM official then preemptorily instructed that the agronomist be transferred to New Site to work on a project in which the official had a personal stake. The Nuba enterprise collapsed entirely.

-- Abuse of Due Process: Legal officials in Rumbek took the side of a Sudanese individual fired for cause for having

defrauded verifiably an international governance contractor. The officials menaced the contractor in question and confiscated a vehicle to sell, reportedly to compensate the discharged Sudanese individual, who had also submitted fraudulent documents in support of his case.

-- Refusal to Respect Contracts: A manager of a tented camp along the Nile was detained and threatened with immediate deportation after an argument with a SPLA officer who resided in the camp over non-payment of food and lodging bills. The manager possessed a valid visa and the required work permit.

Final Thoughts

14. (SBU) Southern Sudan has not developed the pervasive culture of corruption that exists in some African states, and a number of SPLM officials and supporters have vowed to prevent this from happening. The Assembly's attempt to force senior officials to publicly defend their actions on the floor, and press reports citing alleged abuses, are encouraging signs. When abuses are brought to the attention of senior GoSS officials, as happened with the last two examples above, the officials have often taken appropriate actions to resolve the matter.

15. (SBU) Stakes are high in the struggle against corruption. Failure to address this issue forcefully will lead to inevitable conflict with the international donors that play an essential role in Southern Sudan's reconstruction. The participation of serious foreign investment in the South is also unlikely if commissions, insider dealing and behind the scenes partnerships become the norm. And finally, the credibility of the GoSS and its institutions is at play. There is already widespread disaffection with slow delivery of the expected peace dividend, in stark contrast to the very visible fleet of new GoSS Land Cruisers and the renovations underway on official residences and government offices. The perception that the GoSS tolerates corruption could undermine the popular support and good will upon which the GoSS depends.

STEINFELD